



FROM THE OFFICE
OF THE
CLARE CITY TREASURER,
FINANCE AND INFORMATION
TECHNOLOGY DIRECTOR

During the past few years the United States in general and the Michigan economy in particular have been going through historic financial challenges and significant changes which have caused many very difficult adjustments and quite frankly many very unpleasant financial hardships. Local municipal government is not immune to these pressures and has as a result been adapting the way that governmental services are provided in a continual effort to reduce costs. Governmental services include everything from public safety (police and fire), the availability of clean water and sanitary sewer systems, public roads and many other related public services.

This month we will begin an article series on the whys and how's of municipal accounting, budgeting and financial management. The purpose of this article series is to assist the residents and tax payers of the City of Clare in understanding the sources of municipal revenues, how these funds are used for public benefit and how they are managed. This is a very complex subject that will be discussed over several articles with the objective of providing a basic understanding of municipal accounting, budgeting and financial management.

Elected officials within each municipality along with the appointed management staff are charged with the responsibility of deploying or using public funds in a manner that meets the needs of the entire population served. This must be done in compliance with a multitude of laws and be consistent with public opinion which can be varied and conflicted. This is the challenge and charge of public servants, which during a time when there are significant economic and financial challenges coupled with almost unparalleled need within the community, can result in significant stresses for the limited available resources.

One of the first things that we need to discuss is the fact that each municipality is required to manage its financial resources in a manner that is in compliance with federal and state law, complies with Generally Accepted Accounting Principles (GAAP), the various accounting implementation statements of the Governmental Accountings Standards Board (GASB) and is also consistent with the needs of the local community. The reality is that there will often be more need than there are resources, so tough decisions will have to be made that benefit the entire population served, both in the short term as well as in the future.

The purpose of a uniform and consistent accounting system is to insure that public funds are properly used, that the financial records can be independently audited by a certified public accounting firm, that financial information and performance is available and reported to the various interested parties in a consistent, prescribed manner so that it can be meaningfully analyzed and evaluated. The City of Clare fully complies with the various laws, regulations and rules governing municipal accounting and financial management within the State of Michigan. As part of that compliance the City of Clare uses the Michigan Department of Treasury's approved accounting chart of accounts, follows the prescribed accounting procedures and annually has an independent audit completed by a certified public accounting firm.

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At the current time the City of Clare maintains 24 separate funds to manage the financial resources of the City. For the purposes of our discussion you can think of these funds as separate checking or bank accounts though in actuality many of the funds are collectively managed in a consolidated fund. You may be wondering why it is necessary to utilize so many different funds when for the most part individuals use one or possibly a couple of different accounts. There are many legal, accounting and financial management reasons that multiple funds are necessary but for our discussion one of the primary reasons is to assist decision makers in the proper utilization, management and reporting of the financial performance of each fund or activity.

Another important concept to understand is that each municipality completes an accounting cycle once a year (the City of Clare's annual fiscal year begins on July 1st and concludes on June 30th). Having just completed the budget development and approval process for the upcoming fiscal year it is appropriate in this first introductory article on municipal accounting that we begin our discussion with a brief review of the sewer and water funds.

The Sewer and Water System Funds are enterprise funds which means that these two funds must, in accordance with state law, be self-sustaining. What this means is that the sewer and water funds must charge fees that cover all costs associated with providing or delivering these services. For the past several years an intentional decision was made to keep the fees charged for water and sewer services relatively flat with only modest increases of 2% being implemented each year from 2002 through 2007 (0% in 2005). In both 2008 and 2009 the water service rate was increased a larger percentage, however, these increases were offset with a substantial decrease in the sewer service rate.

As of July 1st with the approval of the new fiscal year budget both the water and sewer rates must unfortunately be increased to cover the cost of mandated and required repairs and improvements within the water and sewer systems. These improvements include implementation of an ammonia remediation process at the sewer treatment plant mandated by the DEQ, painting of the water tower, rehabilitation and cleaning of two of the City's water wells to name just a few. Because the water and sewer funds must be self sustaining the cost of these mandated and required repairs/improvements must be paid by the water and sewer funds so consequently this means that these service fees must be increased to cover the costs.

Though the water and sewer service fees must be increased a fairly significant amount (10% for water and 15% for sewer) these increases are partially offset by the fact that there is no change in the monthly refuse collection fee for the upcoming fiscal year. Additionally, to encourage water conservation the water ready to serve fee for residential customers with a ¾" meter has been reduced along with the elimination of the first 4,000 gallons of water being included in this base service fee. As a result, residential customers with a ¾" water meter will see much smaller increase in your monthly utility bill if your normal monthly usage is relatively low.

This discussion on municipal accounting and utility fees will continue in the next city newsletter along with the inclusion of examples of residential utility billing amounts. If you would like to discuss how these city utility rate changes will affect your particular billing please feel encouraged to contact our utility billing department at 386-7541, extension 201.

If you have any questions concerning this month's Treasurer's article or any other City of Clare finance or property tax matter we encourage you to call (386-7541, extension 107), to stop by City Hall or if it is more convenient send me an e-mail message at skingsbury@cityofclare.org.